

**CITY OF DAYTON**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND**  
**QUESTIONED COSTS**

**June 30, 2011**

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## **CITY OF DAYTON**

### **OFFICIALS**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
Richard Travis	Mayor	December 31, 2011
Kevin Benson	Council Member	December 31, 2011
Kendra Breitsprecher	Council Member	December 31, 2011
Kevin Diehl	Council Member	December 31, 2013
Paula Gallentine	Council Member	December 31, 2013
Norman Vegors	Council Member	December 31, 2011
Randy Danielson	Clerk/Treasurer	Indefinite
Marcy Lundberg	Attorney	Indefinite

**CITY OF DAYTON**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dayton, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Dayton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dayton as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2011 on our consideration of the City of Dayton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 and 21 through 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dayton's basic financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
October 31, 2011

## **CITY OF DAYTON**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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City of Dayton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

The City's total cash basis net assets increased 120% or approximately \$418,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased by approximately \$175,000, and the assets of the business type activities increased by approximately \$243,000. Much of the increase was due to a \$250,000 general obligation bond issue that was only partially expended by June 30, 2011. Due to an employee's resignation and another employee's National Guard activation, payroll expenses were also reduced.

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Danielson, City Clerk, 202 1<sup>st</sup> Ave. SW, Dayton, Iowa 50530.

**CITY OF DAYTON**



## **BASIC FINANCIAL STATMENTS**

**CITY OF DAYTON**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**

**As of and for the Year Ended June 30, 2011**

	Program Receipts		
	Operating Grants, Contributions and Restricted Interest		
	Disbursements	Charges for Service	
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 58,325	\$ -	\$ -
Public works	88,995	-	79,200
Health and social services	697	-	-
Culture and recreation	168,367	81,992	21,657
Community and economic development	2,512	-	2,512
General government	81,039	-	46,232
Debt service	95,785	-	-
Capital projects	32,811	-	-
<b>Total governmental activities</b>	<b>528,531</b>	<b>81,992</b>	<b>149,601</b>
Business type activities:			
Water	631,840	182,251	87,664
Sewer	95,684	112,862	-
Landfill/Garbage	70,744	68,768	-
Electric	581,430	694,254	-
<b>Total business type activities</b>	<b>1,379,698</b>	<b>1,058,135</b>	<b>87,664</b>
<b>Total</b>	<b>\$ 1,908,229</b>	<b>\$ 1,140,127</b>	<b>\$ 237,265</b>

**Exhibit A**

<b>Capital Grants, Contributions and Restricted Interest</b>	<b>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ -	\$ (58,325)	\$ -	\$ (58,325)
-	(9,795)	-	(9,795)
-	(697)	-	(697)
-	(64,718)	-	(64,718)
-	-	-	-
-	(34,807)	-	(34,807)
-	(95,785)	-	(95,785)
16,509	(16,302)	-	(16,302)
16,509	(280,429)	-	(280,429)
-	-	(361,925)	(361,925)
-	-	17,178	17,178
-	-	(1,976)	(1,976)
-	-	112,824	112,824
-	-	(233,899)	(233,899)
<u>\$ 16,509</u>	<u>(280,429)</u>	<u>(233,899)</u>	<u>(514,328)</u>

(Continued on next page)

## STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the Year Ended June 30, 2011

	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs (Continued):</b>			
Total Governmental and Business Type Activities (from previous page)	\$ (280,429)	\$ (233,899)	\$ (514,328)
General Receipts:			
Property and other city tax levied for:			
General purposes	116,425	-	116,425
Employee benefits	48,200	-	48,200
Debt service	70,372	-	70,372
Emergency	3,089	-	3,089
Tax increment financing	6,397	-	6,397
Local option sales tax	104,431	-	104,431
Unrestricted interest on investments	8,413	3,986	12,399
Miscellaneous	36,388	-	36,388
Proceeds of long-term debt	50,000	484,323	534,323
Transfers	11,331	(11,331)	-
Total general receipts and transfers	455,046	476,978	932,024
Change in cash basis net assets	174,617	243,079	417,696
Cash basis net assets beginning of year	107,638	239,811	347,449
Cash basis net assets end of year	\$ 282,255	\$ 482,890	\$ 765,145
<b>Cash Basis Net Assets</b>			
Restricted:			
Expendable:			
Streets	\$ 19,366	\$ -	\$ 19,366
Urban renewal purposes	33,320	-	33,320
Debt service	(29,709)	97,064	67,355
Other purposes	210,816	1,323	212,139
Assigned	49	-	49
Unrestricted	48,413	384,503	432,916
Total cash basis net assets	\$ 282,255	\$ 482,890	\$ 765,145

See notes to financial statements.

**CITY OF DAYTON**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES -- GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2011**

	<b>Special Revenue</b>		
	<b>General</b>	<b>Road Use Tax</b>	<b>Urban Renewal</b>
Receipts:			
Property tax	\$ 115,613	\$ -	\$ -
Tax increment financing	-	-	6,397
Other city tax	32,141	-	-
Licenses and permits	1,567	-	-
Use of money and property	18,790	-	-
Intergovernmental	70,401	79,200	-
Charges for services	81,910	-	-
Special assessments	1,331	-	-
Miscellaneous	20,718	-	-
<b>Total receipts</b>	<b>342,471</b>	<b>79,200</b>	<b>6,397</b>
Disbursements:			
Operating:			
Public safety	53,777	-	-
Public works	5,141	69,644	-
Health and social services	697	-	-
Culture and recreation	166,867	-	-
Community and economic development	2,512	-	-
General governments	60,959	-	-
Debt service	-	-	-
Capital projects	-	-	-
<b>Total disbursements</b>	<b>289,953</b>	<b>69,644</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>52,518</b>	<b>9,556</b>	<b>6,397</b>
Other financing sources (uses):			
Proceeds of long term debt	-	-	-
Operating transfers in	14,356	-	-
Operating transfers out	(16,440)	-	-
<b>Total other financing sources (uses)</b>	<b>(2,084)</b>	<b>-</b>	<b>-</b>
Net change in cash balances	50,434	9,556	6,397
Cash balances beginning of year	(118,922)	9,810	26,923
Cash balances end of year	\$ (68,488)	\$ 19,366	\$ 33,320

**Exhibit B**

<b>Debt Service</b>	<b>Nonmajor</b>	<b>Total</b>
\$ 69,780	\$ 50,851	\$ 236,244
-	-	6,397
592	73,540	106,273
-	-	1,567
-	100	18,890
-	16,509	166,110
-	-	81,910
-	-	1,331
-	2,295	23,013
70,372	143,295	641,735
-	4,548	58,325
-	14,210	88,995
-	-	697
-	1,500	168,367
-	-	2,512
-	20,080	81,039
95,785	-	95,785
-	32,811	32,811
95,785	73,149	528,531
(25,413)	70,146	113,204
-	50,000	50,000
23,390	-	37,746
-	(9,975)	(26,415)
23,390	40,025	61,331
(2,023)	110,171	174,535
(27,686)	215,819	105,944
\$ (29,709)	\$ 325,990	\$ 280,479

(Continued on next page)

**CITY OF DAYTON****STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES -- GOVERNMENTAL FUNDS****As of and for the Year Ended June 30, 2011**

	<b>Special Revenue</b>		
	<b>General</b>	<b>Road Use Tax</b>	<b>Urban Renewal</b>
<b>Cash Basis Fund Balances</b>			
<b>Cash Basis Net Assets</b>			
Restricted:			
Expendable:			
Streets	\$ -	\$ 19,366	\$ -
Urban renewal purposes	-	-	33,320
Debt service	-	-	-
Other purposes	140,211	-	-
Assigned	49	-	-
Unassigned	(208,748)	-	-
	<u>\$ (68,488)</u>	<u>\$ 19,366</u>	<u>\$ 33,320</u>

**Exhibit B**  
**(Continued)**

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<b>Debt Service</b>	<b>Nonmajor</b>	<b>Total</b>
<hr/>		
\$ -	\$ -	\$ 19,366
-	-	33,320
(29,709)	-	(29,709)
-	68,829	209,040
-	-	49
-	257,161	48,413
<hr/>		
\$ (29,709)	\$ 325,990	\$ 280,479
<hr/>		



**CITY OF DAYTON**

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE  
STATEMENT OF ACTIVITIES AND NET ASSETS -- GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2011**

**Total governmental funds cash balances (page 8)** \$ 280,479

***Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's payroll and payroll taxes to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

1,776

**Cash basis net assets of governmental activities (page 6)**

**\$ 282,255**

**Net change in cash balances (page 7)**

**\$ 174,535**

***Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of payroll and payroll taxes to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

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**Change in cash basis net assets of governmental activities (page 6)**

**\$ 174,617**

See notes to financial statements.

**CITY OF DAYTON**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES -- PROPRIETARY FUND  
Year Ended June 30, 2011**

	<b>Water</b>	<b>Sewer</b>
Operating receipts:		
Charges for service	\$ 182,251	\$ 112,862
Miscellaneous	-	-
<b>Total operating receipts</b>	<b>182,251</b>	<b>112,862</b>
Operating disbursements:		
Governmental activities:		
Public safety	-	-
Public works	-	-
Culture and recreation	-	-
General government	-	-
Business type activities	101,785	48,734
<b>Total operating disbursements</b>	<b>101,785</b>	<b>48,734</b>
<b>Excess (deficiency) of operating receipts over (under) operating disbursements</b>	<b>80,466</b>	<b>64,128</b>
Non-operating receipts (disbursements):		
Proceeds of long-term debt	484,323	-
Intergovernmental	87,664	-
Interest on investments	-	-
Miscellaneous	-	-
Capital projects	(490,979)	-
Debt service	(39,076)	(46,950)
<b>Net non-operating receipts (disbursements)</b>	<b>41,932</b>	<b>(46,950)</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>122,398</b>	<b>17,178</b>
Operating transfers in (out)	-	-
Net change in cash balances	122,398	17,178
Cash balances beginning of year	(3,570)	1,562
Cash balances end of year	\$ 118,828	\$ 18,740

**Exhibit D**

<b>Enterprise</b>			<b>Internal Service</b>
<b>Garbage/ Landfill</b>	<b>Electric</b>	<b>Total</b>	<b>Personel Services</b>
\$ 68,768	\$ 695,473	\$ 1,059,354	\$ -
-	-	-	272,729
68,768	695,473	1,059,354	272,729
-	-	-	19,982
-	-	-	139,803
-	-	-	70,728
-	-	-	43,353
70,744	540,874	762,137	-
70,744	540,874	762,137	273,866
(1,976)	154,599	297,217	(1,137)
-	-	484,323	-
-	-	87,664	-
-	3,986	3,986	-
-	-	-	-
-	-	(490,979)	-
-	(40,556)	(126,582)	-
-	(36,570)	(41,588)	-
(1,976)	118,029	255,629	(1,137)
-	(11,331)	(11,331)	-
(1,976)	106,698	244,298	(1,137)
(3,096)	242,373	237,269	4,236
\$ (5,072)	\$ 349,071	\$ 481,567	\$ 3,099

(Continued on next page)

**CITY OF DAYTON**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES -- PROPRIETARY FUND  
Year Ended June 30, 2011**

	<b>Water</b>	<b>Sewer</b>
<b>Cash Basis Fund Balances</b>		
Reserved for debt service	\$ 8,647	\$ 417
Unreserved	110,181	18,323
<b>Total cash basis fund balances</b>	<b>\$ 118,828</b>	<b>\$ 18,740</b>

See notes to financial statements.

**Exhibit D  
(Continued)**

<b>Enterprise</b>			<b>Internal Service</b>
<b>Garbage/ Landfill</b>	<b>Electric</b>	<b>Total</b>	<b>Personel Services</b>
\$ - (5,072)	\$ 88,000 261,071	\$ 97,064 384,503	\$ - 3,099
<b>\$ (5,072)</b>	<b>\$ 349,071</b>	<b>\$ 481,567</b>	<b>\$ 3,099</b>

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE  
STATEMENT OF ACTIVITIES AND NET ASSETS -- PROPRIETARY FUNDS  
As of and for the Year Ended June 30, 2011**

<b>Total enterprise funds cash balances (page 11)</b>	<b>\$ 481,567</b>
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***Amounts reported for business type activities in the Statement of Activities  
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's payroll and payroll taxes to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

<u>1,323</u>
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<b>Cash basis net assets of business type activities (page 6)</b>	<b>\$ 482,890</b>
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<b>Net change in cash balances (page 10)</b>	<b>\$ 244,298</b>
----------------------------------------------	-------------------

***Amounts reported for business type activities in the Statement of Activities  
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of payroll and payroll taxes to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

<u>(1,219)</u>
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<b>Change in cash basis net assets of business type activities (page 6)</b>	<b>\$ 243,079</b>
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See notes to financial statements.

**CITY OF DAYTON**



## CITY OF DAYTON

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies

The City of Dayton is a political subdivision of the State of Iowa located in Webster County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general administrative services. The City also provides water, sewer, landfill and electric services.

##### A. Reporting Entity

For financial reporting purposes, the City of Dayton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units that meet the Governmental Accounting Standards Board criteria.

##### Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Central Iowa Area Safety and Support Organization.

##### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City.

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (continued)

Government-wide Financial Statements (continued) - The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

#### Special Revenue:

The *Road Use Tax Fund* is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The *Urban Renewal Tax Increment Fund* is used to account for tax increment financing, collections and the repayment of tax increment financing indebtedness.

The *Debt Service Fund* is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general obligation long-term debt.

The City reports the following major proprietary funds:

The *Water Funds* are utilized to finance and account for the acquisition, operation, and maintenance of governmental facilities and water services that are supported by user charges.

The *Sewer Fund* are utilized to finance and account for the acquisition, operation, and maintenance of governmental facilities and sewer services that are supported by user charges.

The *Garbage/Landfill Fund* are utilized to finance and account for the acquisition, operation, and maintenance of garbage and landfill services that are supported by user charges.

The *Electric Fund* is utilized to finance and account for the acquisition, operation, and maintenance of electric services that are supported by user charges.

The *Internal Service Fund* is utilized to account for the financing of services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting

The City of Dayton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

*Restricted* are amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws imposed by law through constitutional provisions or enabling legislation.

*Assigned* are amounts the Council intends to use for specific purposes.

*Unassigned* are amounts not included in other spendable classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### Note 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash and Pooled Investments (Continued)

Interest rate risk: The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City

### Note 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes, revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 96,402	\$ 27,788	\$ 56,000	\$ 29,670	\$ 27,543	\$ 10,383	\$ 179,945	\$ 67,841
2013	97,824	23,996	58,000	27,990	28,579	9,064	184,403	61,050
2014	104,248	19,988	60,000	26,250	29,921	7,712	194,169	53,950
2015	105,689	15,469	63,000	24,450	31,328	6,295	200,017	46,214
2016	42,138	10,775	65,000	22,560	32,799	4,826	139,937	38,161
2017	43,630	9,155	67,000	20,610	34,340	3,258	144,970	33,023
2018	45,131	7,490	69,000	18,600	35,954	1,629	150,085	27,719
2019	46,654	5,767	70,000	16,530	12,606	180	129,260	22,477
2020	46,192	4,963	72,000	14,430	-	-	118,192	19,393
2021	16,767	2,157	75,000	12,270	-	-	91,767	14,427
2022	18,006	1,414	77,000	10,020	-	-	95,006	11,434
2023	14,979	645	33,000	7,710	-	-	47,979	8,355
2024	-	-	34,000	6,720	-	-	34,000	6,720
2025	-	-	36,000	5,700	-	-	36,000	5,700
2026	-	-	37,000	4,620	-	-	37,000	4,620
2027	-	-	38,000	3,510	-	-	38,000	3,510
2028	-	-	39,000	2,370	-	-	39,000	2,370
2029	-	-	58,000	1,200	-	-	58,000	1,200
	<u>\$677,660</u>	<u>\$129,607</u>	<u>\$1,007,000</u>	<u>\$255,210</u>	<u>\$233,070</u>	<u>\$ 43,347</u>	<u>\$1,917,730</u>	<u>\$428,164</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

## NOTES TO FINANCIAL STATEMENTS

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### Note 3. Bonds and Notes Payable (Continued)

The resolutions providing for the issuance of the revenue notes include the following provisions.

- A. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to separate electric revenue bond sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- C. Additional transfers to the electric revenue reserve and improvement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system and for debt retirement.

### Note 4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2011, 2010 and 2009 were \$15,395, \$15,953 and \$11,509, respectively, equal to the required contributions for the year.

### Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payments to employees at June 30, 2011, primarily related to the General Fund, is as follows:

Type of benefit	Amount
Vacation	\$ 15,208
Personal leave	21,836
<b>Total</b>	<b>\$ 37,044</b>

This liability has been computed based on rates of pay in effect at June 30, 2011.

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency	\$ 3,025
	Enterprise:	
	Electric	11,331
		<u>14,356</u>
Debt Service	General:	
	Local Option	16,440
Debt Service	Capital Project:	
	Street & Bridge	6,950
		<u>6,950</u>
Total		<u>\$ 37,746</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

### Note 7. Risk Management

The City of Dayton is exposed to various risks of loss related to torts; thefts, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in many of the past fiscal years.

### Note 8. Deficit Fund Balances

The General Fund had a deficit balance of \$68,488 at June 30, 2011. The deficit balance was a result of costs incurred primarily related to the golf course, many of which were startup and improvement costs. The deficit balance will be eliminated upon the receipt of future operating receipts. The Debt Service Fund had a deficit balance of \$29,709 at June 30, 2011. The deficit balance was a result of disbursements exceeding receipts and transfers in. The Emergency Fund had a deficit balance of \$441 at June 30, 2011. The deficit balance was a result of transferring funds to the General Fund. The Garbage/Landfill Fund had a deficit balance of \$5,072 at June 30, 2011. The deficit balance was a result of disbursements exceeding charges for services. The MIDAS Revolving Fund had a deficit balance of \$1,440 at June 30, 2011. The deficit balance was a result of prior year disbursements exceeding receipts. The City will re-evaluate the monies appropriated to and from these all funds in the next year.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 9. Other Post Employment Benefits**

Plan Description - The City operates a health benefit plan that provides medical/prescription drug and dental benefits for employees and retirees and their spouses. There are 2 active and no retired members in the plan. Retired participants must be age 55 or older at retirement. The medical/prescription drug and dental benefits are provided through a fully-insured plan with Wellmark. This is through a group plan with the Iowa League of Cities. Retirees under age 65 pay the full premium for the medical/prescription drug and dental benefits.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently pays all benefit plan premiums. As of June 30, 2011 monthly premiums for the City and plan members are \$339 for single coverage and \$1,037 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$24,736 to the plan.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF DAYTON**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN BALANCES -- BUDGET AND ACTUAL (CASH BASIS) --  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

**Required Supplementary Information**  
**Year ended June 30, 2011**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>	<b>Less Funds Not Required to be Budgeted</b>
<b>Receipts:</b>			
Property tax	\$ 236,244	\$ -	\$ -
Tax increment financing	6,397	-	-
Other city tax	106,273	-	-
Licenses and permits	1,567	-	-
Use of money and property	18,890	-	-
Intergovernmental	166,110	-	-
Charges for service	81,910	1,059,354	-
Special assessments	1,331	-	-
Miscellaneous	23,013	272,729	272,729
<b>Total receipts</b>	<b>641,735</b>	<b>1,332,083</b>	<b>272,729</b>
<b>Disbursements:</b>			
Public safety	58,325	19,982	19,982
Public works	88,995	139,803	139,803
Health and social services	697	-	-
Culture and recreation	168,367	70,728	70,728
Community and economic development	2,512	-	-
General government	81,039	43,353	43,353
Debt service	95,785	-	-
Capital projects	32,811	-	-
Business type activities	-	762,137	-
<b>Total disbursements</b>	<b>528,531</b>	<b>1,036,003</b>	<b>273,866</b>
Excess (deficiency) of receipts over (under) disbursements	113,204	296,080	(1,137)
Other financing sources, net	61,331	(52,919)	-
Excess of receipts and other financing sources	174,535	243,161	(1,137)
Balance beginning of year	105,944	241,505	4,236
Balance end of year	\$ 280,479	\$ 484,666	\$ 3,099

Total		Budgeted Amounts		Final to Total Variance
		Original	Final	
\$	236,244	\$ 242,143	\$ 242,143	\$ (5,899)
	6,397	6,500	6,500	(103)
	106,273	85,184	85,184	21,089
	1,567	2,945	2,945	(1,378)
	18,890	19,880	19,880	(990)
	166,110	340,593	491,210	(325,100)
	1,141,264	1,105,010	1,105,010	36,254
	1,331	3,500	3,500	(2,169)
	23,013	6,500	6,500	16,513
	1,701,089	1,812,255	1,962,872	(261,783)
	58,325	91,153	91,153	(32,828)
	88,995	102,670	102,670	(13,675)
	697	800	800	(103)
	168,367	199,425	199,425	(31,058)
	2,512	10,290	26,000	(23,488)
	81,039	96,297	96,297	(15,258)
	95,785	88,836	95,800	(15)
	32,811	238,032	260,000	(227,189)
	762,137	1,119,459	1,449,024	(686,887)
	1,290,668	1,946,962	2,321,169	(1,030,501)
	410,421	(134,707)	(358,297)	768,718
	8,412	174,530	534,322	-
	418,833	39,823	176,025	768,718
	343,213	502,287	342,274	939
\$	762,046	\$ 542,110	\$ 518,299	\$ 769,657

## **CITY OF DAYTON**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$374,207. The budget amendments are reflected in the final budgeted amounts.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF DAYTON**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2011**

	<b>Special Revenue</b>		
	<b>Emergency</b>	<b>Employee Benefits</b>	<b>MIDAS Revolving Account</b>
Receipts:			
Property tax	\$ 3,063	\$ 47,788	\$ -
Other city tax	26	412	-
Use of money and property	-	-	-
Intergovernmental	-	-	-
Miscellaneous	-	-	-
<b>Total receipts</b>	<b>3,089</b>	<b>48,200</b>	<b>-</b>
Disbursements:			
Operating:			
Public safety	-	4,548	-
Public works	-	14,210	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
General governments	-	20,070	10
Capital projects	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>38,828</b>	<b>10</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>3,089</b>	<b>9,372</b>	<b>(10)</b>
Other financing sources (uses):			
Proceeds of long term debt	-	-	-
Operating transfers out	(3,025)	-	-
<b>Total other financing sources (uses)</b>	<b>(3,025)</b>	<b>-</b>	<b>-</b>
Net change in cash balances	64	9,372	(10)
Cash balances beginning of year	(505)	38,832	(1,430)
Cash balances end of year	\$ (441)	\$ 48,204	\$ (1,440)

Capital Projects			
Community Building Trust	Park	Street and Bridge	Total
\$ -	\$ -	\$ -	\$ 50,851
-	-	73,102	73,540
100	-	-	100
-	5,000	11,509	16,509
2,295	-	-	2,295
2,395	5,000	84,611	143,295
-	-	-	4,548
-	-	-	14,210
1,500	-	-	1,500
-	-	-	-
-	-	-	20,080
-	-	32,811	32,811
1,500	-	32,811	73,149
895	5,000	51,800	70,146
-	-	50,000	50,000
-	-	(6,950)	(9,975)
-	-	43,050	40,025
895	5,000	94,850	110,171
21,170	1,925	155,827	215,819
\$ 22,065	\$ 6,925	\$ 250,677	\$ 325,990

(Continued on next page)

**CITY OF DAYTON**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES -- NONMAJOR GOVERNMENTAL FUNDS**

**As of and for the Year Ended June 30, 2011**

	<b>Special Revenue</b>		
	<b>Emergency</b>	<b>Employee Benefits</b>	<b>MIDAS Revolving Account</b>
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	\$ -	\$ 48,204	\$ (1,440)
Unassigned	(441)	-	-
	<b>\$ (441)</b>	<b>\$ 48,204</b>	<b>\$ (1,440)</b>

**Schedule 1  
(Continued)**

<b>Capital Projects</b>			
<b>Community Building Trust</b>	<b>Park</b>	<b>Street and Bridge</b>	<b>Total</b>
\$ 22,065	\$ -	\$ -	\$ 68,829
-	6,925	250,677	257,161
\$ 22,065	\$ 6,925	\$ 250,677	\$ 325,990



**CITY OF DAYTON****SCHEDULE OF INDEBTEDNESS****Year Ended June 30, 2011**

	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Amount Originally Issued</b>
<b>General obligation notes:</b>			
Golf Course	March 19, 2008	4.25%	\$ 170,000
Water Main and Bridge	August 11, 2010	3.60%	250,000
Sewer	February 6, 2003	3.00%	76,000
Water Plant	November 25, 2003	2.90-4.85%	390,000
<b>Total</b>			<b>\$ 886,000</b>
<b>Revenue notes:</b>			
Electric	May 19, 2010	4.60%	\$ 275,000
<b>Revenue bonds:</b>			
Water	November 26, 2008	3.00%	\$ 606,000
Sewer	April 15, 2002	3.00%	689,000
<b>Total</b>			<b>\$ 1,295,000</b>

See accompanying independent auditor's report.

## Schedule 2

<b>Balance Beginning of Year</b>	<b>Issued During Year</b>	<b>Redeemed During Year</b>	<b>Balance End of Year</b>	<b>Interest Paid</b>	<b>Interest Due and Unpaid</b>
\$ 153,044	\$ -	\$ (9,384)	\$ 143,660	\$ 6,595	\$ -
-	250,000	-	250,000	6,950	-
37,000	-	(3,000)	34,000	1,110	-
305,000	-	(55,000)	250,000	14,008	-
<b>\$ 495,044</b>	<b>\$ 250,000</b>	<b>\$ (67,384)</b>	<b>\$ 677,660</b>	<b>\$ 28,663</b>	<b>\$ -</b>
<b>\$ 272,618</b>	<b>\$ -</b>	<b>\$ (39,548)</b>	<b>\$ 233,070</b>	<b>\$ 738</b>	<b>\$ -</b>
\$ 316,677	\$ 284,323	\$ (22,000)	\$ 579,000	\$ 15,561	\$ -
460,000	-	(32,000)	428,000	13,800	-
<b>\$ 776,677</b>	<b>\$ 284,323</b>	<b>\$ (54,000)</b>	<b>\$ 1,007,000</b>	<b>\$ 29,361</b>	<b>\$ -</b>

**CITY OF DAYTON**

**BOND AND NOTE MATURITIES**

**Year Ended June 30, 2011**

Year Ending June 30,	General Obligation Notes						
	Golf Course		Sewer		Water Plant		Water Main
	Issued 3/19/08		Issued 2/6/03		Issued 11/25/03		Issued
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates
2012	4.25%	\$ 9,402	3.00%	\$ 3,000	4.45%	\$ 60,000	3.60%
2013	4.25%	9,824	3.00%	3,000	4.60%	60,000	3.60%
2014	4.25%	10,248	3.00%	3,000	4.75%	65,000	3.60%
2015	4.25%	10,689	3.00%	3,000	4.85%	65,000	3.60%
2016	4.25%	11,138	3.00%	3,000			3.60%
2017	4.25%	11,630	3.00%	3,000			3.60%
2018	4.25%	12,131	3.00%	3,000			3.60%
2019	4.25%	12,654	3.00%	3,000			3.60%
2020	4.25%	13,192	3.00%	3,000			3.60%
2021	4.25%	13,767	3.00%	3,000			
2022	4.25%	14,006	3.00%	4,000			
2023	4.25%	14,979					
2024							
2025							
2026							
2027							
2028							
2029							
		<u>\$143,660</u>		<u>\$ 34,000</u>		<u>\$ 250,000</u>	

See accompanying independent auditor's report.

<u>and Bridge</u> <u>8/11/10</u>			<u>Revenue Notes</u>		<u>Revenue Bonds</u>		
			<u>Electric</u>		<u>Sewer</u>		<u>Wa</u>
			<u>Issued 5/19/10</u>		<u>Issued 4/15/02</u>		<u>Issued 1</u>
			<u>Interest</u>	<u>Amount</u>	<u>Interest</u>	<u>Amount</u>	<u>Interest</u>
<u>Amount</u>	<u>Total</u>	<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Rates</u>		<u>Rates</u>		<u>Rates</u>
\$ 24,000	\$ 96,402	2012	4.60%	\$ 27,543	3.00%	\$ 33,000	3.00%
25,000	97,824	2013	4.60%	28,579	3.00%	34,000	3.00%
26,000	104,248	2014	4.60%	29,921	3.00%	35,000	3.00%
27,000	105,689	2015	4.60%	31,328	3.00%	37,000	3.00%
28,000	42,138	2016	4.60%	32,799	3.00%	38,000	3.00%
29,000	43,630	2017	4.60%	34,340	3.00%	39,000	3.00%
30,000	45,131	2018	4.60%	35,954	3.00%	40,000	3.00%
31,000	46,654	2019	4.60%	12,606	3.00%	41,000	3.00%
30,000	46,192	2020			3.00%	42,000	3.00%
	16,767	2021			3.00%	44,000	3.00%
	18,006	2022			3.00%	45,000	3.00%
	14,979	2023					3.00%
		2024					3.00%
		2025					3.00%
		2026					3.00%
		2027					3.00%
		2028					3.00%
		2029					3.00%
<u>\$ 250,000</u>	<u>\$677,660</u>			<u>\$ 233,070</u>		<u>\$428,000</u>	

**Schedule 3**

ter

1/26/08

<b>Amount</b>	<b>Total</b>
\$ 23,000	\$ 56,000
24,000	58,000
25,000	60,000
26,000	63,000
27,000	65,000
28,000	67,000
29,000	69,000
29,000	70,000
30,000	72,000
31,000	75,000
32,000	77,000
33,000	33,000
34,000	34,000
36,000	36,000
37,000	37,000
38,000	38,000
39,000	39,000
58,000	58,000
<b>\$579,000</b>	<b>\$ 1,007,000</b>

**CITY OF DAYTON****SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS  
BY FUNCTION -- ALL GOVERNMENTAL FUNDS  
For the Last Eight Years**

	2011	2010	2009	2008
Receipts:				
Property tax	\$ 236,244	\$ 238,690	\$ 235,820	\$ 238,237
Other city tax	112,670	5,727	56,938	53,999
Licenses and permits	1,567	3,559	1,565	3,249
Use of money and property	18,890	14,572	20,877	30,017
Intergovernmental	166,110	111,220	118,697	366,709
Charges for service	81,910	130,540	215,888	85,839
Special assessments	1,331	3,578	2,230	3,419
Miscellaneous	23,013	41,980	12,070	7,339
<b>Total</b>	<b>\$ 641,735</b>	<b>\$ 549,866</b>	<b>\$ 664,085</b>	<b>\$ 788,808</b>
Disbursements:				
Operating:				
Public safety	\$ 58,325	\$ 105,484	\$ 79,447	\$ 76,331
Public works	88,995	98,150	96,916	126,975
Health and social services	697	282	465	329
Culture and recreation	168,367	233,959	330,850	314,711
Community and economic development	2,512	15,829	36,546	206,062
General government	81,039	94,111	93,268	87,100
Debt service	95,785	91,105	92,510	75,194
Capital projects	32,811	23,355	23,176	31,440
<b>Total</b>	<b>\$ 528,531</b>	<b>\$ 662,275</b>	<b>\$ 753,178</b>	<b>\$ 918,142</b>

See accompanying independent auditor's report.

#### Schedule 4

2007	2006	2005	2004
\$ 223,026	\$ 212,380	\$ 215,154	\$ 197,752
56,131	52,363	44,646	47,840
3,693	4,959	2,674	2,650
24,729	37,889	27,115	18,880
355,776	277,700	95,137	102,003
1,862	-	-	6,502
4,378	5,078	6,058	7,404
30,891	17,145	9,954	126
<u>\$ 700,486</u>	<u>\$ 607,514</u>	<u>\$ 400,738</u>	<u>\$ 383,157</u>

\$ 86,405	\$ 91,119	\$ 61,711	\$ 66,514
94,566	90,266	90,225	81,142
783	424	215	722
43,999	45,140	43,072	53,960
78,288	8,079	6,013	6,448
85,019	76,965	72,501	72,901
76,045	67,790	76,425	77,401
440,609	345,678	55,028	8,683
<u>\$ 905,714</u>	<u>\$ 725,461</u>	<u>\$ 405,190</u>	<u>\$ 367,771</u>

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES -- GOLF COURSE**

**As of and for the Year Ended June 30, 2011**

	<u>Golf Course</u>
Receipts:	
Special assessments	\$ 81,910
<b>Total receipts</b>	<u>81,910</u>
Disbursements:	
Operating:	
Culture and recreation	112,265
Debt service	3,175
<b>Total disbursements</b>	<u>115,440</u>
<b>(Deficiency) of receipts</b>	<u>(33,530)</u>
Net change in cash balances	(33,530)
Cash balances beginning of year	<u>(136,380)</u>
Cash balances end of year	<u><u>\$ (169,910)</u></u>
<b>Cash Basis Fund Balances</b>	
Unreserved:	
General	<u><u>\$ (169,910)</u></u>



**CITY OF DAYTON**

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dayton, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 31, 2011. Our report expressed an unqualified opinion on the financial statements that were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dayton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Dayton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Dayton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dayton financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Dayton's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Dayton's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Dayton and other parties to whom the City of Dayton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dayton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Scharr & Company, LLP*

Fort Dodge, Iowa  
October 31, 2011

## CITY OF DAYTON

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2011

#### **Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements that were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) The City of Dayton did not qualify as a low-risk auditee.

#### **Part II: Findings Related to the Financial Statements:**

##### **SIGNIFICANT DEFICIENCIES:**

- II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by two individuals.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

##### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

#### **Part III: Other Findings Related to Required Statutory Reporting:**

- III-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted in the general government and business type activities functions.
- III-B-11 Questionable Disbursements – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**June 30, 2011**

- III-D-11 Business Transactions – No business transactions between the City and City officials or employees were noted.
- III-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-11 Deposits and Investments – The City complied with the provisions of Chapter 12B and 12C of the Code of Iowa.
- III-H-11 Revenue Bonds and Notes – The City has complied with the bond resolutions.
- III-I-11 Payment of General Obligation Bonds – The City has complies with all bond resolutions.
- III-J-11 Notice of Public Hearing for Public Improvements – The City published a notice of public hearing on all public improvement projects as required by Chapters 26.12 and 362.3 of the Code of Iowa.
- III-K-11 Financial Condition – Several funds had deficit balances at June 30, 2011, as listed in Note 8 to the financial statements.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

Response – These deficits were due disbursements and transfers out exceeding receipts and/or transfers in to the funds. The City will increase/decrease transfers and appropriations as needed in the subsequent periods.

Conclusion – Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dayton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
October 31, 2011